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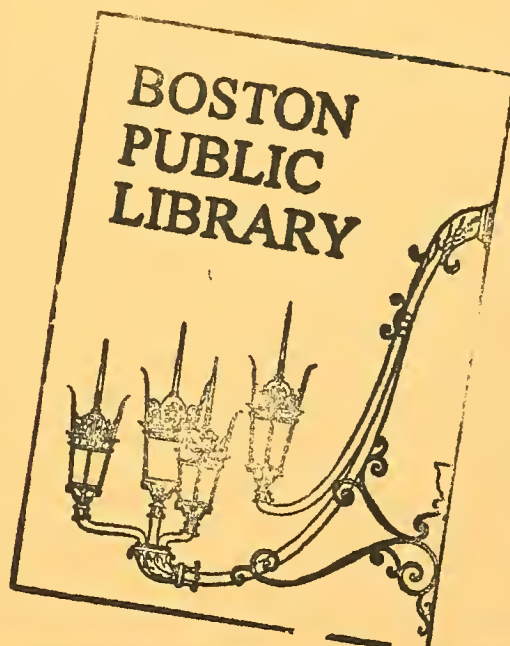
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JOURNAL _____

ISSUE PRUDENTIA 1971

Date Borrowed	Name

“The future belongs to those who prepare for it.”

The Prudential Story in 1971

We are pleased to report that during the year American and Canadian people bought more life insurance and health insurance protection from Prudential than in any prior year, which established new industry records. We are also pleased to report that sales of plans to provide retirement incomes reached a record level.

Fortune Magazine once published an article, "That Mighty Pump, Prudential." The many large figures in this report may make Prudential appear so. The nature of our business is to pool relatively small amounts of money from millions of people and return it when it is needed to fulfill the purpose for which it was set aside — death, disability, illness, retirement — and other purposes.

While Prudential holds the reserves to pay future claims, it invests them to reduce the cost of insurance or annuity plans and to support the economy. This collection of capital — invested in housing, business and industry — builds plants, warehouses, office buildings, and apartment houses. It finances mobile homes, keeps farms in production, creates and supports jobs. In that sense, yes, Prudential is a mighty pump. We collect dollars, circulate them throughout the economy and back to our mutual policyowners when they are most needed.

Premium income for life and health insurance protection and annuity plans rose to \$4.4 billion. Net investment income was \$1.6 billion. Total income rose 11% over 1970.

In 1971, we authorized \$2.7 billion in bonds, private placements and mortgage loans. We invested \$886 million in common stocks. Our subsidiary, PIC Realty, entered into 27 new joint ventures in real estate.

At year end our investment portfolio included \$11.7 billion in bonds, \$1 billion in real estate, \$11 billion in mortgage loans, and \$3.8 billion in stocks.

During the year we returned \$844 million in dividends to

policyowners. The beneficiaries of life insurance policies received \$890 million as death claims. Other payments to living life insurance policyowners amounted to \$590 million. Payments to insureds and their beneficiaries for health insurance protection reached \$700 million. We disbursed \$285 million under annuity contracts. Our reserves to provide for payment of future claims increased by \$1.7 billion.

Nearly 50 million people now have an interest in "A Piece of the Rock" and the company's assets are \$31 billion.

The Prudential Property and Casualty Insurance Company (a subsidiary) commenced a pilot operation in the middle of the year in Illinois and will expand into several more states in 1972. This company also entered the reinsurance business. The Prudential itself became active in airline liability reinsurance.

A mutual fund for Canadians was established and managed by a Prudential subsidiary in Canada. A subsidiary, GIB Laboratories, was formed to offer medical testing services to industry and health care facilities. Pruco Securities Corporation was formed as a subsidiary and became a member of a regional stock exchange to reduce commission expense on some of our stock transactions.

Our expansion and diversification is within the concept of our corporate purpose which is to provide financial security to people and business.

In 1971 we exceeded our \$325 million commitment as part of the life insurance industry's investment program to aid American cities. We are continuing to invest time, talent and dollars in many ways in many places to help improve the social and economic conditions of our times. Some examples are described later in this report.

We recognize that our corporate franchise to do business comes from the people and is for the people. We realize our role as a business is social as

well as economic. We know that guides from past experience will not be adequate for the future.

A year ago, we spoke of our concern with inflation and social unrest. We now have more confidence that inflation can be controlled. However, wage and price controls can not be effective unless sound fiscal and monetary policies are followed.

The impact of social unrest on government and private institutions is more difficult to evaluate. We see progress, although the rate may not be acceptable by evolving standards. But we are optimistic. We believe that socially responsible business, working together with government and other institutions, community by community, will help achieve the better quality of life which we know we must attain.

Prudential people — employees and sales representatives — now number about 60,000 throughout the United States and Canada. A large proportion of these Prudential people have long service with the company. We owe much to their dedication and experience and want to express our appreciation. Each year we hire thousands of younger people, including many from minorities. Last year 17% of those hired were from minorities. In these younger men and women from all races and creeds lies the future of Prudential. We want to express our confidence that Prudential will continue to be an economic and social force of which we can all be proud.



Donald S. MacNaughton
Chairman and Chief
Executive Officer



Kenneth C. Foster
President



Marketing

The new company sales record established by Prudential's sales representatives in 1971 was accomplished in a year in which there was only a sluggish recovery from the nation's fifth postwar recession.

Premiums received on all coverages (life, annuity and health) amounted to \$4.4 billion, \$455 million greater than in 1970.

The face amount of life insurance in force grew to more than \$168 billion. Life insurance sales amounted to over \$19 billion, an increase of \$1.7 billion over 1970. Individual life sales accounted for \$13.2 billion of this total and were the highest, both in our history and in the history of the industry. They exceeded 1970 results by 9%. New health insurance premiums were \$176 million, an increase of 45% over 1970.

Group life insurance sales and group annuity sales were also the highest ever. Group life volume came to \$6.1 billion in face amount, up 10.7% over 1970. Group annuity sales reached \$107 million — up 53% over 1970.

We take pride in the professionalism of our sales staff. In 1971, more Prudential people than those from any other company successfully completed the diploma program of the American College of Life Underwriters. We now have more than 1,600 CLUs — an industry high. This core of professionals produced outstanding individual results. By year end, 1,684 Prudential Agents sold \$1 million or more of insurance — a gain of 50% over 1970 and an all-time record. The number who topped \$2 million increased 35%, from 100 to 135. A new company

record was established by our leading Agent, who sold over \$10 million of life insurance.

In 1971, new products and new ventures opened up new markets and contributed to sales increases:

"Employee Benefits Program" (EBP)

— Provides low cost life and health benefits to businesses with 2-9 employees . . . launched in April in Illinois . . . marketed nationally November 16 . . . by year end, premiums topped \$6 million.

A New Individual Life Policy — Designed for youth market — returning war veterans, young parents, children, college students . . . introduced in mid-November . . . sales by year end: \$180 million.

Property and Casualty Insurance — Illinois pilot operation offers auto, homeowners and personal liability insurance through subsidiary, Prudential Property and Casualty Insurance Company . . . sales after 6 months' operations: 14,000 policies.

Aviation Reinsurance — Provides broad range of reinsurance coverage to airlines and airline manufacturers . . . by year end, Prudential had coverages with seven of the world's major airlines.

"Financial Security Program" (FSP)

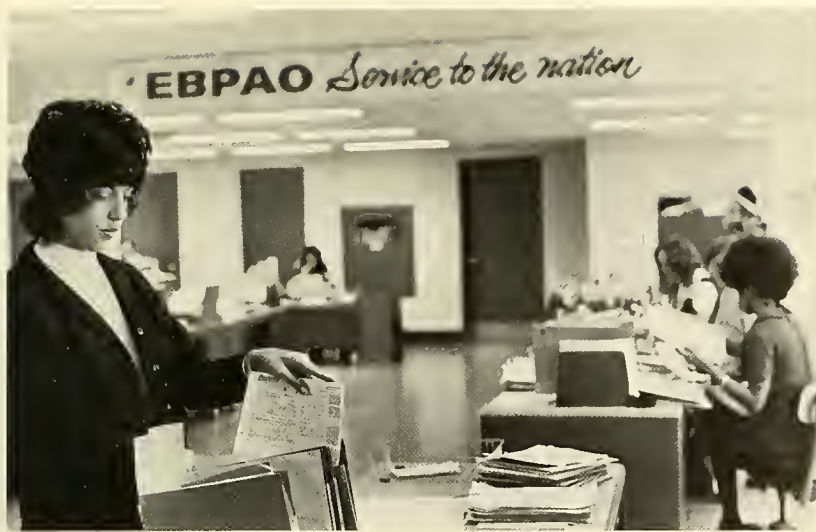
— At the beginning of 1971, our equity-based FSP was marketed in 43 states. By the end of 1971, FSP was being sold in 49 states. Receipts amounted to \$54 million . . . 38,900 new plans sold.

We continued to search for new and improved approaches to bring financial security to individuals and business.

- A task force was organized to explore participation in the Health Maintenance Organization (prepaid group practice) field.
- We developed and installed a new Expense Management System and established new budgetary measures designed

to control unit expenses. Our objective is to improve cost effectiveness without adversely affecting the long-term strength of the company.

- We expanded our mass marketing activities.
- We are continuing to work toward forming a pool with other life insurance companies to jointly underwrite aviation reinsurance risks.
- The Prudential Property and Casualty Insurance Company will expand its personal lines operations into four more states in 1972. This will more than double the number of Agents now selling property and casualty business.
- Our establishment in 1970 of a form of commingled investment in property for pension plans was so well received that we are expanding these activities as rapidly as investment opportunities can be found.
- Favorable experience with a new computerized estate conservation service, designed to determine estate liquidity for executive and professional people, has led to plans for broadening of this program in 1972.



Employee Benefits Program (EBP) headquarters, Jacksonville: EBP offers broad group insurance coverage to businesses with 2-9 employees. Launched in April 1971, it has had very favorable acceptance.

Executive Vice President Robert A. Beck (left) with department heads: Senior Vice President and Chief Actuary Jack T. Kvernland; Vice President Henry E. Arnsdorf, Public Relations and Advertising; Senior Vice Presidents James B. Jacobson, Group Insurance operations; Alan M. Thaler, Financial Security Program Office; Senior Vice President and Actuary Meyer Melnikoff, Group Annuity operations; Senior Vice Presidents William P. Lynch, District Agencies; E. William Nash, Ordinary Agencies; David J. Sherwood, President, Prudential Property and Casualty Insurance Company; Vice President John J. Marcus, Planning and Analysis, Marketing Area.



Investments

For the nation's money managers, 1971 was far from *status quo*. Cash flow increased substantially and interest rates and stock prices moved erratically. The rapid financial swings demanded alert money management.

For Prudential, 1971 was a good investment year. The rate of return on our total portfolio was again among the highest for large life insurance companies. After all expenses except federal income taxes, our portfolio yielded 5.80% — up 24 basis points from 5.56% in 1970 and 33 basis points higher than the estimated average for all U.S. life companies combined. The rate on fixed income investments, including direct placements and mortgages, acquired in 1971 was 9.04%, an increase of 58 basis points over 1970. In 1971, as in other years, most of these investments were acquired under commitments made in previous years and, therefore, the rate on acquisitions is not a good indication of money market conditions during the year.

With \$3.1 billion net new money available for investment (up \$645 million) our investment staff had a busy year. Two major reasons for our increased cash flow were a sharp rise in group annuity funds (up \$218 million) and mortgage repayments (up \$207 million). This latter figure reflects the dramatic increase in the funds flowing into those savings institutions which traditionally invest in residential mortgages. This flow of funds spurred housing starts and a heavy turnover in mortgages.

Throughout most of 1971, Prudential followed an aggressive program of making new loan commitments based on

two expectations, a surge in cash flow and lower interest rates. The rate on new loan authorizations — 9.04% — was exceeded only by 1970's all-time-high of 10.08%. The total amount was \$2.7 billion.

During 1971, through our wholly-owned subsidiary, PIC Realty Corporation, we authorized investments of \$80 million in real estate ownership through joint ventures and limited partnerships. In addition, we committed to make mortgage loans of \$380 million, included in the \$2.7 billion total, to these joint ventures and partnerships.

Prudential's common stock activities increased in 1971. Total net purchases were \$886 million, up \$435 million. The common stock held in the General Account and the various Separate Accounts totaled \$3.8 billion at year-end market values. Net purchases for our General Account were \$315 million and realized and unrealized capital gains during the year amounted to \$145 million. Total market value of this portfolio at year end was \$1.6 billion. Our largest Separate Account, the Variable Contract Account Investment Fund, showed net purchases of \$248 million, an increase of \$218 million over 1970. Total realized and unrealized gains during the year were \$79 million and total market value of the Fund at year end was \$1.2 billion. The Fund's year-end unit value was \$2.26, a 12% gain for the year.

Although an increasing number of companies in which we have investments have experienced financial difficulties and real estate vacancies of all types have been increasing, the overall quality of our portfolio continues to be excellent.

From other standpoints 1971 was also significant. A subsidiary, Pruco Securities Corporation, joined the Philadelphia-Baltimore-Washington

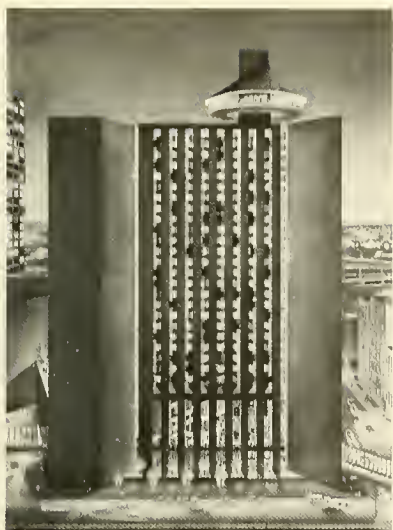
Stock Exchange in order to execute trades for our various accounts. PIC Realty Corporation, which until now had invested in real estate only in partnership with experienced developers, undertook a program in which it will be the sole developer and manager of property.

PRISA, a separate real estate investment account for larger company pension funds, completed its first full year of operations with \$36 million authorized for property purchases and \$7 million for mortgage loans.

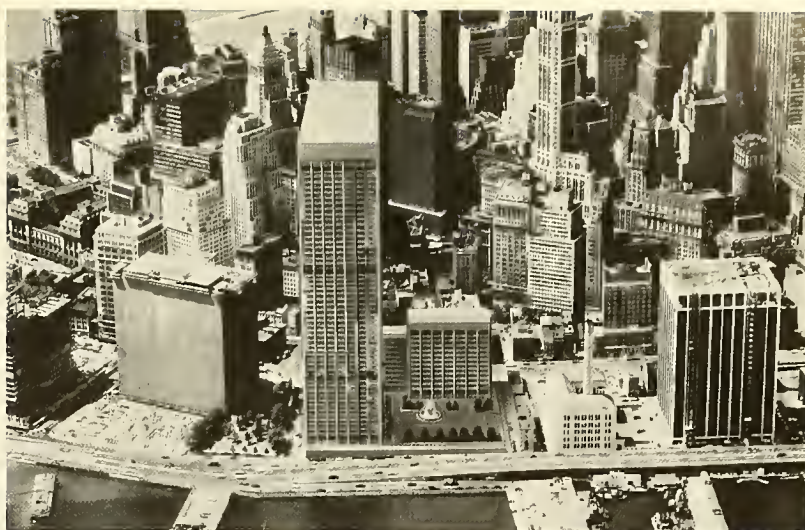
In yet another way, 1971 was significant. A group of young investment people examined the company's entire investment policy from the standpoint of social responsibility to the community. Their recommendations are now under review.

On a related topic, there has been much discussion on the national level about the future of the central cities. We believe they will survive, that they will continue to be a vital force in our society. This is where the major financial and marketing services are concentrated . . . where they interact with each other . . . where the best cultural resources are.

We believe that soundly appraised central city investments are good for the cities and good for the nation. Investors like Prudential — in partnership with government and the business community — have the skills and the experience to make the cities better.



HOUSTON COMPLEX: 1,000-room Regency Hyatt Hotel opens early next year . . . 21 meeting rooms . . . ballroom seats 2,100 people . . . swimming pool, shops, revolving rooftop cocktail lounge . . . this PIC Realty joint venture will also include two major office towers.



ONE OF OUR LARGEST REAL ESTATE INVESTMENTS EVER: office tower, downtown Manhattan . . . \$150 million loan . . . topped out in June, already 80% rented.

Executive Vice President Frank J. Hoenemeyer (left) with department heads: Chief Economist and Director of Investment Research J. Robert Ferrari; Vice President and Treasurer Bryan Wilson; Senior Vice Presidents Donald R. Knab, Real Estate Investment; Raymond A. Charles, Bond and Commercial Loan; Edgar F. Bunce Jr., Common Stock.



Administration

One of the challenges most corporations face today is to control costs without impairing service or long-term growth. In our current inflationary environment, management everywhere has the difficult task of increasing operating efficiency and productivity to offset rising costs and taxes.

In 1971, in an effort to keep unit costs in line, we continued to emphasize our company-wide cost improvement program. This program has two objectives. First, to keep the rate of increase in expenses lower than our rate of growth. Second, to do this without impairing our service or our long-term vitality.

Among the many steps toward increased operational efficiency in 1971 was extensive installation of new computer systems:

- For example, records for two million policies were converted to a highly automated system — for more efficient processing.
- Another system — installed for all common stocks in our Separate Accounts — was designed to keep records, prepare

statements and handle accounting and dividend work.

During 1971, there were many other examples of increased operational efficiency in Prudential. One of the most dramatic: our Georgia Medicare operations.

In 1970, we were selected to administer and pay all eligible medical expenses for Medicare in Georgia. During 1971, claim handling costs were reduced 38%. Substantial and continued unit cost reductions were also achieved in our North Carolina (Medicare) and New Jersey (Medicare and Medicaid) operations.

With an eye on tomorrow, work on a new company-wide expense measurement system is under way. When fully operational, it will provide an improved tool for measuring and evaluating our efficiency in handling the major functions of our business.

In addition to cost awareness programs, we also have a company-wide service awareness program, launched in 1969. It's both competitive and stimulating. Under the program, all of our home offices can compare their service results and compete for improvement. Throughout Prudential during 1971, service indices improved substantially.

Prudential's employee family totals nearly 60,000 and the number from minority groups is growing. In 1971, Prudential hired 2,931 minority employees, which is 17% of the total number of people hired. Of the 550 college graduates hired in 1971 for assignments in the various home offices, 14% were from minority groups. At year end the minority staff totaled 5,912, representing 9.9% of the total company staff.



Vice President Richard G. Merrill (seated) was selected to head an in-depth study of Prudential's organizational structure. The objective: to determine whether any organizational adjustments should be made to meet changing social and economic conditions. The study is scheduled for completion this fall. Shown with Mr. Merrill is Robert P. Hill, formerly Actuarial Director and General Manager from our South-Central Home Office, who will be working with Mr. Merrill for the duration of the study.



ROUND-THE-CLOCK COMPUTER OPERATIONS: We have nearly 60 computers, and our data processing staff totals 2,500.

Executive Vice President Fredrick E. Rathgeber (seated) with his department heads: Senior Vice Presidents E. Carroll Gerathy, Personnel; Francis S. Quillan, Governmental Health Programs and Office Services; A. Douglas Murch, Computer and Insurance Services; Vice President, Planning and Analysis, R. Morton Darrow; Senior Vice President and Comptroller Clifford H. Whitcomb; Senior Vice President and General Counsel John B. Stoddart Jr.; Senior Vice President Alfred C. Linkletter, Buildings; Vice President and Secretary, Isabelle L. Kirchner.



A Geographically Decentralized Company

Custom-made Service at the Local Level

60,000 employees . . . 1,500 field offices . . . 10 home offices . . .
5 satellite offices. To our nearly 50 million policyowners throughout the United States and Canada, Prudential means *personalized service at the local level*.



Corporate Home Office

Newark, New Jersey



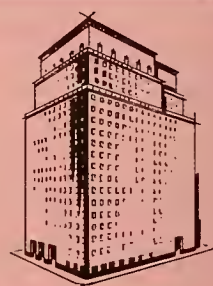
Canadian Head Office

Toronto, Canada
Floyd H. Bragg,
President,
Canadian Operations



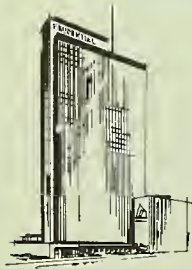
Central Atlantic Home Office

Fort Washington,
Pennsylvania
Raymond W. Cobb,
Senior Vice President



Eastern Home Office

Newark, New Jersey
Kenneth C. Nichols,
Senior Vice President



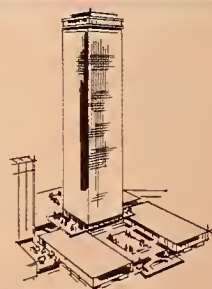
Mid-America Home Office

Chicago, Illinois
William Ingram,
Senior Vice President



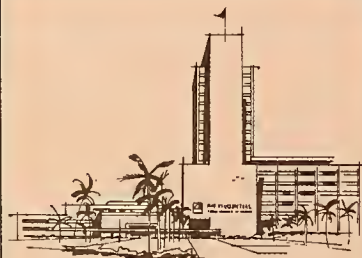
North Central Home Office

Minneapolis,
Minnesota
Alexander Query,
Senior Vice President



Northeastern Home Office

Boston,
Massachusetts
Thomas Allsopp,
Senior Vice President



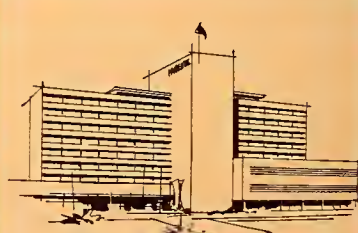
South-Central Home Office

Jacksonville,
Florida
John D. Buchanan Jr.,
Senior Vice President



Southwestern Home Office

Houston, Texas
Duncan Macfarlan,
Senior Vice President



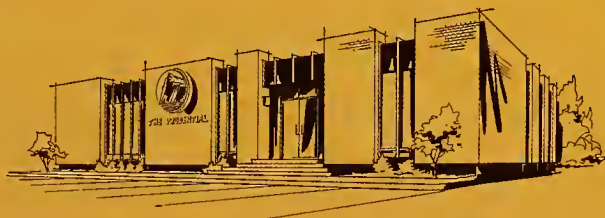
Western Home Office

Los Angeles,
California
Frederick A. Schnell,
Senior Vice President

Satellites: Another Dimension in Decentralization

In addition to geographical decentralization, some Prudential operations are also decentralized by function. Five satellite offices now handle specialized Prudential services, another will open this spring, and ground has been broken for two others.

DATE	LOCATION	STAFF	FUNCTIONS	SATELLITE OF
1958	Millville, N.J.	900	N.J. Medicare & Medicaid	Corporate Home Office
1960	Linwood, N.J.	400	Accounting & other field services	Eastern Home Office
1969	Canoga Park, Cal.	65	Serves western states' policy-owners who pay premiums by mail	Western Home Office
1970	Lawrence, Mass.	100	Accounting, key-punch & other field services	Northeastern Home Office
1971	Wayne, N.J.	800	Group insurance & other field services	Eastern Home Office
Spring 1972	Hobart, Ind.	150	Multiple services	Mid-America Home Office
1974	Roseland, N.J.	600	Certain computer operations	Corporate Home Office
1974	Florham Park, N.J.	600	Major group annuity operations	Corporate Home Office
1974	So. Plainfield, N.J.	900	Certain individual policy transactions, N.J.-N.Y.C. area	Eastern Home Office



Oklahoma City, Oklahoma

One of 1,500 Prudential field offices in key locations from coast to coast and in Hawaii and Puerto Rico.

Statement of Financial Condition

Assets

	December 31	
	1971	1970
	(In Millions)	
Bonds	\$11,748	\$11,216
Preferred stocks	116	111
Common stocks	1,643	1,183
Mortgage loans on real estate	11,053	10,989
Real Estate		
Investment	886	844
Occupied by Company	109	91
Loans on policies	1,419	1,322
Cash and temporary investments	336	354
Other investments	227	178
Net premiums secured by policy reserves	877	818
Investment income due and accrued	329	311
Separate Account Business assets		
(principally common stocks)	2,369	1,677
Other assets	48	40
	<u>\$31,160</u>	<u>\$29,134</u>

Liabilities and Surplus

	December 31	
	1971	1970
	(In Millions)	
Insurance and annuity reserves	\$25,761	\$24,169
Other policy reserves	449	453
Reserved for policy dividends	648	595
Other policy liabilities	1,935	1,659
Reserved for taxes, including in 1971		
deferred taxes of \$40 million	121	170
Miscellaneous liabilities	59	69
Mandatory securities valuation reserve	532	343
Additional reserves for fluctuations in		
securities values and other contingencies	51	101
Margin for protection of policyowners		
Policy reserve required by New Jersey Statute N.J.S.A. 17:34-24	1,146	1,063
Unassigned surplus	458	512
	<u>\$31,160</u>	<u>\$29,134</u>

Statement of Source and Application of Funds

Source of Funds

	Year Ended December 31	
	1971	1970
	(In Millions)	
Gain from operations	\$ 20	\$ 70
Increase in insurance and annuity reserves	1,659	1,258
Net increase (decrease) in other non-cash items	(21)	77
From investments sold, matured or repaid:		
Bonds and stocks	1,307	966
Mortgage loans and real estate	822	638
Separate Account Business assets	90	101
	<u>\$ 3,877</u>	<u>\$ 3,110</u>

Summary of Operations, Surplus and Margin for Protection of Policyowners

	Year Ended December 31	
	1971	1970
	(In Millions)	
Insurance premiums and annuity considerations	\$ 4,388	\$ 3,930
Investment income (net in 1971 of investment expenses of \$78 million, taxes of \$45 million and depreciation of \$21 million) . .	1,595	1,467
Net realized and unrealized capital gains (losses) on Separate Account Business	160	(13)
	<u>6,143</u>	<u>5,384</u>
Paid or credited to policyowners and beneficiaries (including dividends of \$844 million in 1971 and \$789 million in 1970)	3,357	3,091
Increase in insurance and annuity reserves to provide for the payment of future claims	1,659	1,258
Insurance operating expenses	797	703
State premium and other insurance taxes	84	75
	<u>5,897</u>	<u>5,127</u>
Gain from operations before federal income taxes	246	257
Federal income taxes	226	187
Gain from operations	<u>20</u>	<u>70</u>
Net realized and unrealized capital gains on other than Separate Account Business of \$148 million (\$60 million loss in 1970) , less increase in mandatory securities valuation reserve of \$189 million (\$62 million decrease in 1970)	(41)	2
Decrease in additional reserves for fluctuations in securities values and other contingencies	50	—
Increase in policy reserve required by New Jersey Statute N.J.S.A. 17:34-24	(83)	(71)
Unassigned surplus, beginning of year	512	511
Unassigned surplus, end of year	458	512
Policy reserve required by New Jersey Statute N.J.S.A. 17:34-24	1,146	1,063
Margin for protection of policyowners	<u>\$ 1,604</u>	<u>\$ 1,575</u>

Application of Funds

	Year Ended December 31	
	1971	1970
	(In Millions)	
Investments acquired:		
Bonds and stocks	\$ 2,142	\$ 1,360
Mortgage loans and real estate	993	843
Separate Account Business assets	690	510
Net increase in miscellaneous assets	70	246
Increase (decrease) in cash and temporary investments	(18)	151
	<u>\$ 3,877</u>	<u>\$ 3,110</u>

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	<u>\$ 3,877</u>	<u>\$ 3,110</u>

Notes to Financial Statements Year Ended December 31, 1971

1. In accordance with the requirements of the National Association of Insurance Commissioners, values are stated principally as follows: bonds and mortgage loans at amortized cost; preferred stocks at cost; common stocks at market value; real estate at cost less accumulated depreciation (or at not more than appraised value), and less encumbrances and an aggregate real estate valuation reserve. Assets in the amount of \$811 million are on deposit with governmental authorities or trustees as required by law.

The Company carries its investments in subsidiaries as common stocks (\$64 million) and preferred stocks (\$500 thousand).

Bonds and mortgage loans on real estate include \$138 million outstanding at December 31, 1971 with a partnership in which the Company has invested and joint ventures of a subsidiary.

Statutory accounting has been modified by including in operations the effect of certain adjustments which would have been applied directly to unassigned surplus. In 1971, these included net destrengthening principally of group annuity reserves of \$37 million, prior years' Federal income taxes (including interest) of \$37 million and net other adjustments of \$4 million, resulting in a net decrease in operations of \$4 million.

2. In accordance with the amendments made to the laws of the State of New Jersey, the policy reserve required by New Jersey Statute N.J.S.A. 17:34-24 (\$1,146 million) will no longer be required after December 31, 1971. This amount will continue to be held as part of the margin for protection of policyowners.

3. The 1971 provision for pension plans covering substantially all employees amounted to \$42 million. This amount is included as part of the insurance and investment expenses. All accrued pension expense has been funded, and the prior service cost is being amortized on a 20-year basis.

Accountants' Report

To the Board of Directors of
The Prudential Insurance
Company of America

We have examined the accompanying statement of financial condition of The Prudential Insurance Company of America as of December 31, 1971 and the related summary of operations, surplus and margin for protection of policyowners and statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing stand-

ards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The legal reserves and statutory apportionments were certified by the Commissioner of Insurance of the State of New Jersey.

In our opinion, based upon our examination and upon the above certification, the financial statements referred to above present fairly the financial position of The Prudential Insurance Company of America at December 31, 1971 and the results of its operations and

the source and application of funds for the year then ended, in accordance with accounting treatments and valuations prescribed for life insurance companies (see Note 1) and in conformity in all material respects with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

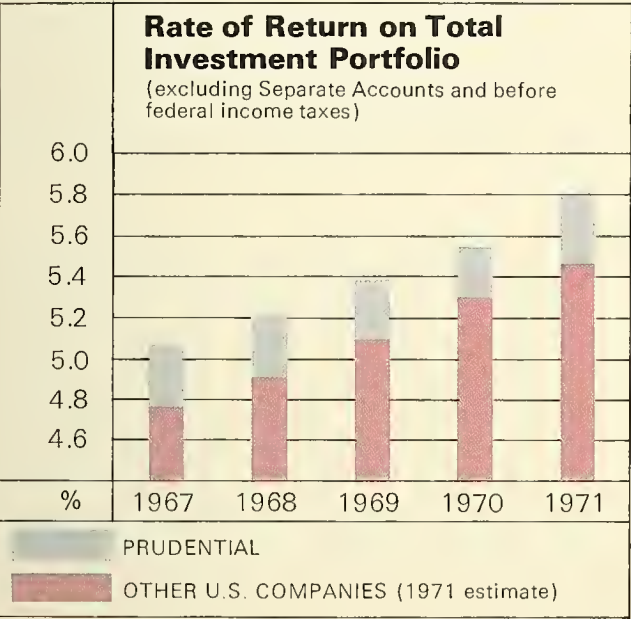
Touche Ross & Co.,
Certified Public Accountants,

Newark, New Jersey
February 29, 1972

Printed in U.S.A. 29270

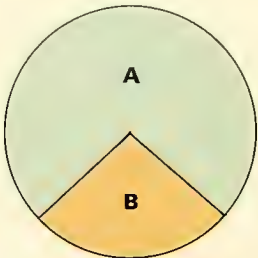
Vital Statistics

Year End	Life Ins. Sold	Life Ins. in Force	Payments to Policyowners & Beneficiaries	Assets
1962	\$ 8,992,000,000	\$ 90,367,000,000	\$1,724,000,000	\$18,622,000,000
1963	10,048,000,000	96,607,000,000	1,874,000,000	19,781,000,000
1964	10,696,000,000	103,761,000,000	2,015,000,000	21,016,000,000
1965	13,449,000,000	113,062,000,000	2,163,000,000	22,381,000,000
1966	12,303,000,000	121,677,000,000	2,363,000,000	23,595,000,000
1967	13,307,000,000	129,592,000,000	2,497,000,000	25,111,000,000
1968	13,959,000,000	137,505,000,000	2,720,000,000	26,608,000,000
1969	15,007,000,000	146,237,000,000	2,891,000,000	27,750,000,000
1970	17,619,000,000	156,775,000,000	3,091,000,000	29,134,000,000
1971	19,295,000,000	168,253,000,000	3,357,000,000	31,160,000,000



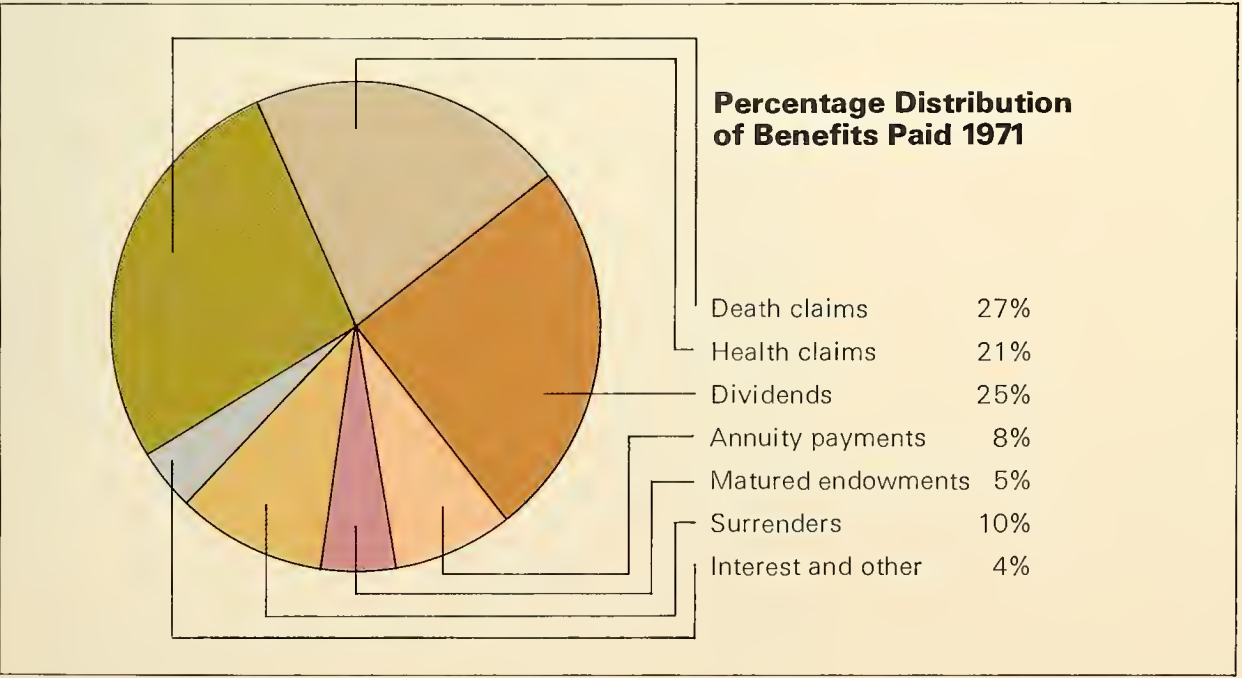
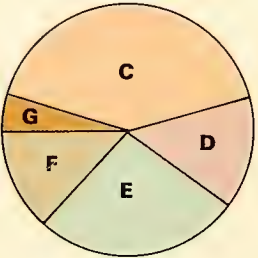
The Income Dollar

- A. Insurance premiums and annuity considerations73¢
B. Investment income (after investment expenses and taxes) ..27¢



And Where it Went

- C. To policyowners and beneficiaries (excluding dividends)41¢
D. Dividends to policyowners14¢
E. Added to reserves for protection of policyowners27¢
F. Operating expenses13¢
G. Insurance and income taxes 5¢



Prudential in Canada

New Directions North of the Border

Prudential in Canada is a highly autonomous operation. It has its own Head Office. Its own portfolio of policies. Its own dividend scale. It invests the funds of its Canadian policy-owners in the Canadian economy.

Prudential life insurance sales in Canada in 1971 reached \$789 million, for over \$9 million in premiums. Today, the people of Canada own almost \$7 billion of Prudential life insurance.

In 1971, a major revision of Prudential's Canadian individual life insurance portfolio took place. Premium rates were reduced an average of 8%. Several new policies were introduced, including a \$50,000 minimum whole life plan, a one-

year renewable term policy and a flexible income endowment.

In February 1971, the company launched a mutual fund in Canada. Prudential Growth Fund Canada Limited is sold only to Canadian residents. By year end, 2,800 accountholders owned some 368,000 shares of the Fund.

Also in 1971, the title structure for officers of Prudential's Canadian Head Office was changed — to more closely parallel those of other major companies in Canada. Floyd H. Bragg, in charge of Canadian Operations since 1967, was named President, Canadian Operations.

And our marketing activities in Canada were strengthened with the appointment of W. James D. Lewis, a Canadian, as Executive Vice President, Canadian Operations. Mr. Lewis had been a vice president of another large life insurance company in Canada.

In Canada, Prudential is bilingual. All Prudential sales material and policy forms are printed in both English and French. Policyowners anywhere in Canada may correspond with the company in either language.

In 1971, a new dimension in business-government relationships took place in Canada. Prudential and the Canadian Department of National Health and Welfare teamed up to co-sponsor a unique traveling

sports caravan. Its aim: to encourage physical fitness and create greater awareness of Canadian sports.

In the caravan, a visitor can pick up a telephone and dial a great moment in Canadian sport. He can hear the original play-by-play announcer describe such feats as Bobby Hull's record-breaking 51st goal. He can see the well-known Prudential series of more than a dozen paintings, "Great Moments in Canadian Sport."

"It is the first time," says the Canadian government, "that private industry has helped finance a project of this kind."



MORE POWER FOR CANADIANS: The massive Churchill Falls hydro-electric power complex in Labrador is Prudential's largest single investment in Canada: a \$125 million bond investment. Prudential, along with several other investors, joined forces to finance the project which is already lighting the homes of northeast Canada. When completed in 1976, Churchill Falls will be the largest power plant of its kind in the western world.



REPORT ON A GOOD YEAR: Floyd H. Bragg (at lectern), President, Canadian Operations, at the first annual meeting of Prudential Growth Fund Canada Limited. Mr. Bragg is also board chairman of the Fund, launched in February 1971. By year end, the Fund showed a gain of 6.3%. At right, W. James D. Lewis, Executive Vice President, Canadian Operations. At left, Jean A. Martial, Senior Associate Counsel. Messrs. Lewis and Martial are also directors of the Fund.

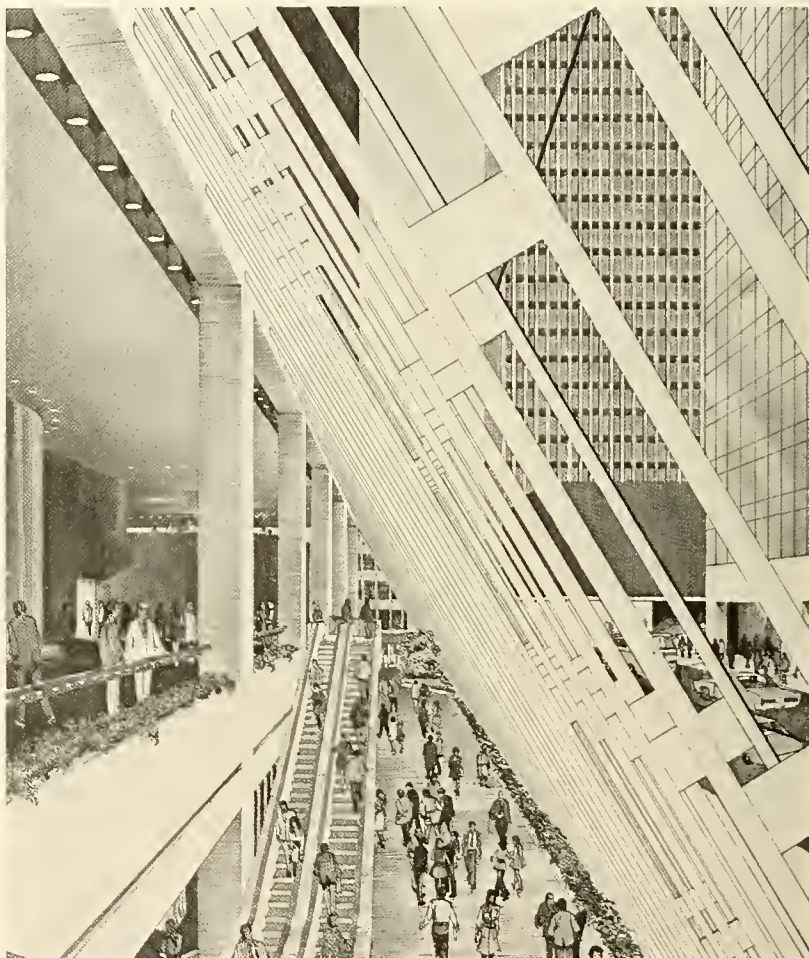
U.S. Subsidiaries

PIC Realty Corp. was formed in July 1968. Prudential Minority Enterprises, Inc. (PME) followed in December 1969. Both were wholly owned subsidiaries of Prudential until our downstream holding company — PRUCO, Inc. — was formed in September 1970. Then PIC and PME became subsidiaries of PRUCO.

In 1971, four new subsidiaries were added to PRUCO: GIB Labs, PRUSEC, PRUPAC, and Pruco Life. Pruco Life is a stock company, licensed to sell life and disability insurance in Arizona. It was incorporated in late December 1971.

PIC Realty Corp.

Develops real estate projects mostly through joint ventures with real estate developers. At year end, PIC had invested or was committed to invest \$150 million in the ownership of office buildings, hotels, apartment complexes, etc. In addition, Prudential had loaned or agreed to loan on mortgages an additional \$900 million on these projects.



Pruco Securities Corp. (PRUSEC)

A member of the Philadelphia-Baltimore-Washington Stock Exchange. Executes trades for our various accounts. Started operations in April 1971. By year end, PRUSEC had accounted for about 12% of our common stock transactions. Photo shows PRUSEC trades underway in Prudential Trading Room.



Prudential Property and Casualty Insurance Company (PRUPAC)

On June 28, in a pilot operation in Illinois, our Agents started to sell PRUPAC automobile, homeowners, and personal catastrophe insurance. In the six months to year end, 14,000 PRUPAC policies had been sold. During 1971, PRUPAC also established a Reinsurance Department and entered into a number of agreements to provide needed capacity to other insurance companies and underwriting pools. Photo shows PRUPAC President, David J. Sherwood (left) with PRUPAC Vice Presidents Paul C. Simpson and LeRoy J. Simon.



GIB Laboratories, Inc.

Started operations on January 4, 1971. Offers large-scale medical testing to industry and outside insurance companies. GIB Labs is equipped to perform 75 different tests; processed 292,345 tests in 1971.



Prudential Minority Enterprises, Inc. (PME)

Formed in December 1969 to finance minority business as part of a special U.S. Department of Commerce program. Prudential was the first life insurance company to join the program. By year end, 14 PME loans had been disbursed. Travel agency, pictured above, is a PME client.

Social Responsibility

Time, Talent, Dollars . . . and Heart

Prudential believes that business has a responsibility to help correct the social problems that plague society — through time, talent, dollars . . . and heart.

The company's role in the life insurance industry's \$2 billion urban investment program is one example of how Prudential is matching its capabilities to the needs of society. We have exceeded our \$325 million commitment to this program which is financing inner-city housing for nearly 20,000 families, creating jobs for over 16,000 people and in other ways assisting in the revitalization of our cities.

But that is only part of the story.

There are many other examples of the commitment of Prudential and its people to the cause of a better America: helping to provide support for a drug rehabilitation center in Newark, a job-clearing house in Boston, a medical center in Houston, a youth action program in Chicago, a nursing home in Minneapolis. The pictures on these pages show other examples.

But aside from money, Prudential and its people devote time and effort to volunteer activities in thousands of communities across the nation. You'll find them serving United Funds, Scouting, school boards, Urban Leagues, the American Red Cross, volunteer fire departments, hospital drives, service clubs.

In addition, our executives are frequently called upon to serve in key city, state, and fed-

eral advisory capacities. For example, Vice President Charles F. Reynolds Jr., of Prudential's Real Estate Investment Department, has been on loan to the State of New Jersey as the State's top housing advisor.

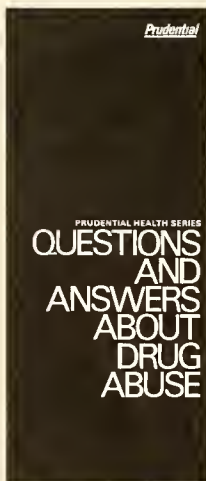
We're working at good corporate citizenship every day — with time, talent, dollars . . . and

heart. Recruiting, hiring and training the disadvantaged. Investing funds for better housing and health. Raising funds for countless civic causes.

At Prudential, we know that we cannot separate our business life from the life of the community. Our aim is to be a vital force in both.



Martin Luther King Jr. Memorial Hospital in heart of black community, Kansas City, Mo. Hospital 55% built when lack of funds stopped all work. Prudential loaned \$1,750,000; hospital now nearly complete.



Big Demand: Prudential's 36-page booklet on drug abuse is in big demand from clinics, educators, law-enforcement agencies. First press run, 200,000, exhausted in six weeks. It's being translated into Spanish.



On Camera: In hundreds of communities from coast to coast, Prudential volunteers are on the scene — helping in ghettos, hospitals, drug clinics. Millions of viewers have seen six of them, featured in TV spot announcements. All have earned our top honor for social commitment: the Community Service Award. In the past three years, 776 employees have earned the Award.



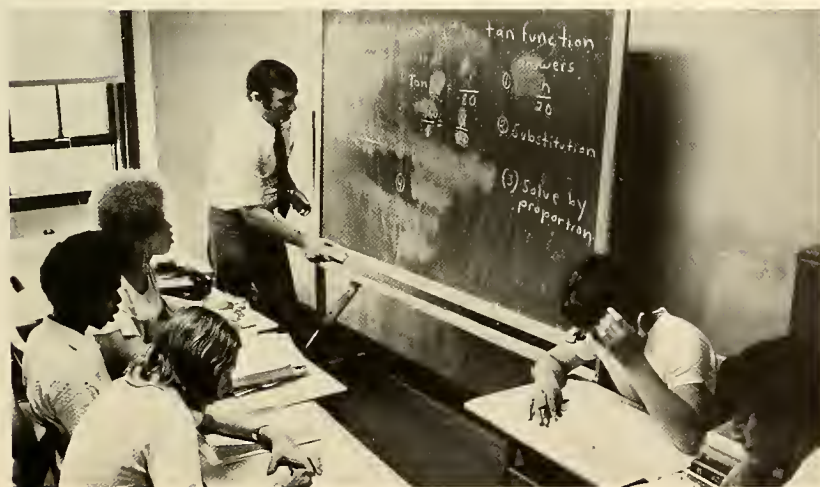
Helen Hayes spot announcements on TV, radio, tell work of Widows' Consultation Center, N.Y.C. Sponsored by a 3-year Prudential grant. Center offers any widow guidance on financial, job, other problems. Center opened September 1970; has helped more than 500 widows.



Members of the "Board": After a Project SEED (Special Elementary Education for the Disadvantaged) demonstration class in Prudential, Chairman and Chief Executive Officer Donald S. MacNaughton showed youngsters our board room. Prudential supports SEED with teachers from our actuarial staff.



Newark Boys Chorus was hailed on Prudential-sponsored nationwide tour last August. Christmas week, the Chorus was featured in place of our regular commercials on "The FBI." The boys, mostly black, range in age from 8 to 14.



New Chance for Dropouts. In 1964, we helped establish school for high school dropouts in Newark, N. J. Here, 75 youngsters — who alternate between job and school — have another chance to earn high school diploma. Prudential is co-sponsor of school, called Education Center for Youth.

"Own a Piece of the Rock":

A Message with Meaning

Prudential's advertising campaign theme, "Own a Piece of the Rock," has become one of America's best-known advertising slogans.

It is more than just a slogan projected in a whimsical, good-natured fashion. It is a message with meaning. Using Prudential's famous trademark, the Rock of Gibraltar, the slogan symbolizes financial security and pride policyowners have in their Prudential life insurance. They participate in the affairs of an institution which contributes to the social and economic stability of two great nations.

To our regular series of broadcast messages we added two unusual TV commercials in 1971 — departures from our usual approach. In one, a policyowner proudly tells of the part Prudential plays in seeking solutions for some of the problems of today's urban society. Reflecting on these "investments in people," he concludes, "My piece of the Rock is pretty important." The other, a three-minute holiday message at Christmas, featured the Newark Boys Chorus singing "Let There Be Peace On Earth."

For the second year in a row, "Own a Piece of the Rock" commercials appeared on the "Prudential College Scoreboard" and "The FBI." Both

shows have continued to attract large audiences.

A New TV show, the "Prudential NBA Report," announced in 1971 and launched last January, features Bill Russell, the famed ex-Boston Celtic. It follows the National Basketball Association "Game of the Week."

All three shows appear on the ABC-TV network of more than 200 stations.

The campaign is also carried in print ads in nationally-circulated publications such as: *Time*, *Newsweek*, *U.S. News and World Report*, *Ebony*, *Business Week*, *Tuesday*, *Forbes*, *Sports Illustrated*, *Black Enterprise* and *Esquire*.



Above: TV neighbors trim a mutually-owned hedge and discover they share an interest because each "Owns a Piece of the Rock."

Right: Magazine ads portray policyowner pride at Prudential investment locations.



"My piece of the Rock weighs a ton."

Some of my premiums are invested in steel. My policy guarantees dollars for our kids' college education. Plus dollars for his kids' college education — years from now. And all the while we'll be getting the premiums to work. That's to meet and take product of industry. To strengthen the economy and help pay dividends on his policy.

To be a Prudential representative should a piece of the Rock and a dollar in their life. You can't see it. It could be an education in steel.

Prudential
Life Insurance

Prudential Board of Directors



Orville E. Beal,
former president
of Prudential



Kenneth C. Foster,
president of
Prudential



Monroe J. Rathbone,
former chairman
of the board,
Standard Oil Company
of New Jersey



Vincent P. Biunno,
counselor at law,
partner, Lum,
Biunno & Tompkins



Paul A. Gorman,
chairman of the board
and president,
International Paper
Company



Sydney G. Stevens,
chairman of the board,
New Jersey
National Bank



Charles Danzig,
counselor at law,
partner, Riker, Danzig,
Scherer & Brown



Wayne Hicklin,
chairman of the board,
Avon Products, Inc.



E. Hornsby Wasson,
former chairman
of the board,
Pacific Telephone and
Telegraph Company



C. Malcolm Davis,
chairman of the board,
Fidelity Union
Trust Company



Donald C. Luce,
former president,
Public Service
Electric and Gas
Company



Lloyd B. Wescott,
president,
New Jersey State
Board of Control,
Department of
Institutions and
Agencies



Jess H. Davis,
president,
Stevens Institute
of Technology



Donald S. MacNaughton,
chairman of the board
and chief executive
officer of Prudential



David L. Yunich,
vice chairman
of the board,
R. H. Macy & Co., Inc.



John E. Deitrick, M.D.,
former dean,
Cornell University
Medical College



James P. McFarland,
chairman of the board
and chief executive
officer,
General Mills, Inc.



John E. L. Duquet, Q. C.
Canadian advocate,
barrister & solicitor,
senior partner,
Duquet, MacKay,
Weldon, Bronstetter,
Willis & Johnston



Robert B. Meyner,
counselor at law,
senior partner,
Meyner & Wiley



Bayard L. England,
former chairman
of the board,
Atlantic City
Electric Company



Albert G. Mumma,
former chairman
of the board,
Worthington
Corporation

From the Speaker's Platform

Quotes from Prudential management on issues of the day

"The time has come, it seems to me, for us to recognize that the future role of business must be social as well as economic. We can't ignore, nor can we reject, this public demand. Instead, we must adapt the corporations to their new role, and we must develop a whole new set of performance measures for determining company viability and vitality. Monitoring the economic barometers will no longer suffice and improved earnings per share can no longer be, of itself, the corporate goal."

Donald S. MacNaughton, Chairman and Chief Executive Officer,
at the Life Insurance Industry Conference
on Corporate Social Responsibility, Westchester, N.Y., October 10, 1971.

"The marketing officer of the future must possess more than a casual understanding of the planning process. He must be aware of potential social, economic, and political changes — therefore thinking of the environment in which we will be doing business in the future. Then he assesses and reassesses the strengths and weaknesses of our industry relative to that projected environment. His next step will be to evaluate the strengths and weaknesses of his company to that environment. Only then can he safely move on to the job of developing specific marketing plans and strategies for his company."

Robert A. Beck, Executive Vice President,
at annual meeting of the Life Insurance Agency
Management Association, Washington, D.C., November 8, 1971.

"Every American should have access to quality health care, regardless of income. The nation needs a new health care system which combines the strengths of our present system with new programs, reforms and additions, where the present system, for one reason or another, does not meet the nation's needs. Prudential strongly supports the National Health Care Act of 1971, now before both houses of Congress. We believe that this bill, of all the current legislative proposals, offers the most hope for the future for improved organization, delivery and financing of health care for the American people."

Fredrick E. Rathgeber, Executive Vice President,
at a New Jersey Public Health Association
meeting, New Brunswick, N.J., January 13, 1972.

"I think the President's Wage-Price Program will help substantially in the short run to reduce inflation. But I am very concerned that little attention is being given to the long-term forces of inflation. Sound fiscal and monetary policies are essential to a stable price level. However, I believe much more thought should be given to the growing structural factors, the power of unions, municipal employees, large corporations and the growing importance of service industries that are, over the longer term, aggravating greatly the inflationary pressures."

Frank J. Hoensmayer, Executive Vice President,
at a Prudential management meeting, November 11, 1971.

"I believe there will be a continuing market for individually provided financial security services, including and emphasizing cash value life insurance, for the following reasons: men will continue to seek financial security; there are limits to the capability and appropriateness of government arrangements; there are limits to the capability and appropriateness of group arrangements; the remaining market will continue to be large and can never be fully covered because its size is determined in part by the creative role of the salesman; there are supplements to but no substitutes for cash value life insurance; and there are supplements to but no substitutes for individual service as best exemplified by life underwriters."

Kenneth C. Foster, President, at Sales Congress of the Chicago Association
of Life Underwriters, Chicago, Ill., November 18, 1970.



*Prudential has the
strength of Gibraltar*

“Own a Piece of the Rock”